REMARKS

Claims 13-24 are pending. No new matter has been added.

Applicants thank the Examiner for withdrawing the rejection of claims 13-24 under U.S.C. § 103 (a), as being obvious over Davis et al. (US 6,282,522), in view of Ogram (US 5,991,731).

Applicants acknowledge the Examiner's new rejection of claims 13-24 under US 6,847,953. Applicants respectfully traverse this rejection and have provided detailed rebuttal arguments to obviate this rejection.

Reconsideration of the instant application in view of the following rebuttal remarks is respectfully requested.

Rejection under 35 U.S.C. § 103(a)

Davis in view of Kuo:

The Examiner has rejected claims 13-24 under 35 U.S.C. § 103(a) as allegedly being obvious in light of the teachings of Davis et al. (US Patent No. 6,282,522) and in view of Kuo (US Patent No. 6,847,953).

Specifically, the Action alleges that Davis teaches a method of making a financial transaction over the internet comprising: electing, by a purchaser, to pay for selected items from a merchant by credit card means using a virtual credit card terminal (VCT) comprising credit card means reader, a digital processing device operatively associated with said credit card means reader and encoding transaction programs that allows opening of an interactive terminal window for processing of the transaction, and wherein said virtual credit card terminal is registered with a VCT gateway (citing Davis at column 7, lines 7 through 10); providing the purchaser with a

transaction number from said VCT gateway (citing Davis at column 13, lines 58 through 59), a merchant identification and an amount to transact from the merchant, wherein said merchant is registered with said VCT gateway (citing Davis at column 13, lines 60 through 61); entering, by the purchaser, details of credit card means into the virtual credit card terminal to facilitate formation of a VCT transaction request (citing Davis at column 14, lines 1 through 7); sending the VCT transaction request to said VCT gateway (citing Davis at column 14, lines 1 through 7); providing, by said purchaser, the merchant with delivery details; and providing, by said merchant, said purchaser with a merchant receipt (citing column 14, lines 62 through 65).

The Action acknowledges that Davis does not explicitly teach processing the VCT transaction request by the VCT gateway to facilitate formation of a bank transaction request; sending the bank transaction request from the VCT gateway to a bank; processing the bank transaction request, whereby advice is sent from the bank to the VCT gateway as to whether the transaction has been approved; and sending the advice from the VCT gateway to the merchant and the purchaser; wherein if the transaction has been approved, providing the merchant and the purchaser with a transaction authentication code. However, the Action alleges that Kuo teaches processing the bank transaction request, whereby advice is sent from the bank to the VCT gateway to facilitate formation of a bank transaction request; sending the bank transaction request from the VCT gateway to a bank; processing the bank transaction request, whereby advice is sent from the bank to the VCT gateway as to whether the transaction has been approved; and sending the advice from the VCT gateway to the merchant and the purchaser (citing Figure 1, column 7, line 55, through column 8, line 4). Based on this, the Examiner urges that it would have been obvious to one of ordinary skill in the art at the time of the invention to modify Davis to include the steps as taught by Kuo, and additionally urges that it would have been obvious to *further* include the step

of providing the merchant and the purchaser with a transaction authentication code if a transaction has been approved. The Examiner states that the step of providing the merchant and the purchaser with a transaction authentication code if a transaction has been approved is "old and well known," and took official notice of the same.

Applicants respectfully traverse this rejection and submit that the instantly pending claims are patentable over the cited references. As an initial matter, Applicants respectfully submit that relying on "common knowledge" or "taking official notice," with regard to the above statement without providing any documentary evidence is not allowed under the patent rules (see, *e.g.*, 37 C.F.R. §1.104(c)(2); MPEP 2144.03). Applicants respectfully submit that if such rejection is maintained in the next Office Action, documentary evidence of the statement included in the official notice must be provided (*Id*). If the Examiner is relying on personal knowledge to support the finding of what is known in the art, or what is encompassed in taking official notice, then the Examiner must provide an affidavit or declaration setting forth specific factual statements and explanation to support the finding (see, *e.g.*, 37 C.F.R. §1.104(d)(2)).

APPLICABLE LAW:

Under *KSR International Co. v. Teleflex, Inc.* 127 S.Ct. 1727, 2007 (KSR v. Teleflex), application of the TSM test is valid provided that such application does not require an overly rigid or explicit application of the asserted prior art. Accordingly, as already stated in the record, and in keeping with KSR, to establish a *prima facie* case of obviousness there must be: **(a)** a suggestion or motivation, either in the references themselves or in the knowledge generally available to one of ordinary skill in the art (POSITA), to modify the reference or to combine reference teachings; **(b)** a reasonable expectation of success; and **(c)** the prior art reference(s) must teach or suggest all the claim limitations. The teaching or suggestion to make the claimed combination and the reasonable

expectation of success must both be found in the prior art and knowledge generally available to POSITA, and not based on Applicant's disclosure (*In re Vaeck*, 947 F.2d 488, 20 USPQ2d 1438 (Fed. Cir. 1991); and see MPEP §§ 2143-2143.03). Therefore, to support a conclusion that the claimed invention is directed to obvious subject matter, either the references must expressly or impliedly suggest the claimed invention or the examiner must present a convincing line of reasoning as to why the artisan would have found the claimed invention to have been obvious in light of the teachings of the references. Moreover, there can be no reasonable expectation of success where the art, alone or in combination, ***teaches away*** from the invention.

Applicants' Traversal:

Applicants respectfully submit that no *prima facie* case of obviousness is supportable for the instantly pending claims in view of the asserted references alone or in combination, because **(a)** there is no suggestion or motivation embodied in the asserted art alone or in combination, even in view of knowledge generally available to one of ordinary skill in the art, to arrive at Applicants' invention, and **(b)** even if there were, there is no reasonable expectation of success based thereon where the references fundamentally *teach away* from the present invention, and **(c)** the references do not, in fact, teach all the claim limitations, and further teach elements that would preclude provision of the presently claimed subject matter.

Davis

Applicants submit that, as previously made of record, Davis merely teaches the use of "stored value cards" (i.e., prepayment card, cash card, or decrement in value card), in an internet connected architecture comprising: (i) a ***client terminal*** with card reading means to read the stored-value card; (ii) a ***payment server*** with "security card control" having security card access to authenticate the stored value card and decrement value of the card; and (iii) ***merchant server***.

Using this architecture, a User (client consumer) browses merchant goods over the internet, selects the stored-value option offered by the Merchant, inserts the stored-value card into the *client terminal* card reading means to obtain a balance, and approves the purchase for the displayed purchase amount, whereupon the purchase amount is deducted from the stored-value of the card, and the transaction is captured by the security card linked to the *payment server* or by the *Merchant server* for subsequent reconciliation/settlement through existing clearing and administration system (Davis at column 6, line 23, through column 7, line 35, and see also column 10, lines 30 through 65). Therefore, the networked security and authentication system of Davis obviates the need and methodology of an actual (physical) service payment terminal where a stored-value card is placed into the terminal for authentication of the stored-value card by the corresponding security card in the terminal. Davis obviates the need for such a physical terminal by linking the security cards to the *payment server*, such that "authenticating" and "value decrement" can occur on-line.

Additionally and significantly, there is no requirement in Davis for bank transaction requests, because Davis teaches the use of stored-value (i.e., cash cards), and authentication by *security cards*, such that Bank approval is not required, nor sought. Significantly, Davis teaches that "advantageously, a customer may make use of pre-existing stored-value cards for purchases over the Internet without any prior arrangement of an account, purchases of credits or tokens, or establishment of a new relationship with a bank or other company" (Davis at column 7, lines 21 through 25). Finally, upon logging of the transaction into the payment server database, the payment server builds a result message containing the identification of the transaction and "signs" it. The message is then routed to the merchant server *via* the client server, and not directly to both the client and Merchant servers.

Therefore, as previously made of record, Davis explicitly teaches stored-value cards, not credit cards, and accordingly not only *teaches away* from obtaining bank authorizations, but specifically and explicitly *teaches away* from bank transaction requests from the *payment server*, as explained above. The previous arguments set out in the Applicants' response to the first Official Action equally apply here in respect to the disclosure in the Davis patent in the context of Kuo. That is, the Davis patent teaches, the use of "stored value cards" (*i.e.*, prepayment card, cash card, or decrement in value card), in an internet connected architecture comprising: (i) a *client terminal* with card reading means to read the stored-value card; (ii) a *payment server* with "security card control" having security card access to authenticate the stored value card and decrement value of the card; and (iii) *merchant server*.

Using this architecture, a user (client consumer) browses merchant goods over the internet, selects the stored-value option offered by the Merchant, inserts the stored-value card into the *client terminal* card reading means to obtain a balance, and approves the purchase for the displayed purchase amount, whereupon the purchase amount is deducted from the stored-value of the card, and the transaction is captured by the security card linked to the *payment server* or by the *Merchant server* for subsequent reconciliation/settlement through existing clearing and administration system (Davis at column 6, line 23, through column 7, line 35, and see also column 10, lines 30 through 65).

In essence therefore, the networked security and authentication system of Davis obviates the need and methodology of an actual (physical) service payment terminal where a stored-value card is placed into the terminal for authentication of the stored-value card by the corresponding security card in the terminal. Davis obviates the need for such a physical terminal by linking the security cards to the *payment server*, such that "authenticating" and "value decrement" can occur

on-line.

Additionally, and significantly there is no requirement in Davis for Bank transaction requests, because Davis teaches the use of stored-value (*i.e.*, cash cards), and authentication by *security cards*, such that Bank approval is not required, and is thus not sought. Significantly, Davis teaches that "advantageously, a customer may make use of pre-existing stored-value cards for purchases over the Internet without any prior arrangement of an account, purchases of credits or tokens, or establishment of a new relationship with a bank or other company" (Davis at column 7, lines 21 through 25).

Finally, upon logging of the transaction into the payment server database, the payment server builds a result message containing the identification of the transaction and "signs" it. The message is then routed to the merchant server *via* the client server, and not directly to both the client and Merchant servers.

Therefore, Davis explicitly and purposefully teaches stored value cards, not credit cards, and accordingly not only *teaches away* from obtaining bank authorizations, but specifically and explicitly *teaches away* from Bank transaction requests from the *payment server.*

Davis approaches the issue of secure payment over the internet in a completely different way to that disclosed in the present patent application. Davis avoids considerations of interaction with banks by having a "stored value card". The use of credit cards would not work with the Davis method. For the Davis method to work, each merchant would need their own "stored value card." The method claimed in the present patent application uses existing credit cards and a method of using existing credit cards to purchase products or services over the internet.

Because Davis explicitly *teaches away* from credit card use and interaction with banks, we believe the disclosure in Davis has significantly limited value and is largely irrelevant in

considerations of the presently claimed subject matter.

Kuo

With regard to Kuo, Applicants respectfully submit that the cited reference merely discloses online transaction processes where consumers enter orders online, but *no payment card numbers are used.* See column 3, lines 54 through 67, and column 4, lines 14 through 22. This is directly contrary to the instantly pending claims, which requires a credit card means reader as set forth in claim 13. Indeed, Kuo *teaches away* from the instant claims because Kuo states that one advantage to its invention is alleviating payment card abuse by fraudulent web merchants or potential dishonest employees of online merchants since merchants do not handle consumers' payment card numbers in the online transaction process. See column 3, lines 64 through 67, and claim 1. Furthermore, in the event that an authentication code is utilized in the method of Kuo, it is provided together with the ordered items, *prior to authorization or approval*, and wherein following approval or authorization, an additional *authorization code* is provided. See column 6, lines15 through 31, and claims 40 through 42.

Specifically, Kuo describes a method of on-line transactions designed to prevent consumer fraud with pirated payment card numbers. In this method a purchaser has registered their payment card numbers with a trusted payment card host and set up corresponding secret keys. The merchant has one or more payment card hosts on their web site. The purchaser selects their payment card host from those shown on the merchant's web site and sends an order to the merchant. The merchant receives the order, checks availability, assigns an order ID to the order. The merchant sends the purchaser the assigned order ID. The purchaser then sends the payment card host the order, order ID and authorization of payment with the secret keys. The merchant also sends to the payment card host the order ID and a payment approval request. The payment

card host matches the order ID and uses the secret keys to retrieve the payment card number.

The payment card host then sends for payment authorization with the payment card number from the payment card issuer (such as BankOne visa (column 3, line 14)). The payment card issuer then sends the request through the clearing network and subsequently receives a response. The payment card issuer then sends the response to the payment card host. The payment card generates a transaction ID and then advises the merchant of the response for the order ID.

The merchant then fulfills the order. The merchant then sends a request for payment for order ID to the payment card host. The payment card host receives the request and verifies the transaction ID and the amount. The payment card host then generates a transaction clearing request and sends it to the payment card issuer for processing through the clearing network. The payment card issuer will send a response to the request for payment to the payment card host. The payment card host then sends a response that the transaction is completed to the merchant.

Therefore, the on-line transaction method described in Kuo is fundamentally different and considerably more complex than the method of the present patent application. *Firstly* the payment card host stores the payment card numbers of purchasers and provides the purchasers with secret keys corresponding to their payment card numbers (column 5, lines 52 through 65). In contrast, the VCT gateway of the present patent application does **not** store payment card numbers but merely serves as a gateway or portal to the relevant bank (payment card issuer). In this way **no** third party, including the VCT gateway or merchant has the purchaser's credit card number and details. The present invention, therefore, takes a completely different approach to card security by not letting *any* third party have the card details whereas Kuo entrusts the card details to a single third party being the payment card host, who then issues secret keys to replace (and represent) the

card number. As stated above, Kuo considers this is an important step as it is a measure taken to protect against card fraud and protection against card fraud is the purpose and design of the method described in Kuo.

Secondly, the method described in Kuo has the *merchant* assigning an order ID (column 6, lines 27 through 38), whereas the method of the present invention has a transaction number generated by the *VCT gateway* not the merchant. By having the transaction number generated by the VCT gateway, the method is simpler and reduces the likelihood of problems by avoiding the step of matching the transaction numbers—unlike with Kuo, where the ordered must be matched. By having the transaction number generated by the VCT gateway, the VCT gateway manages the progress of the transaction.

Thirdly the method of Kuo requires a series of steps where the merchant notifies the payment card host that the order has been fulfilled and requests payment. In turn the payment card host advises the payment card issuer who then requests through the clearing network. Through the clearing network a response is sent to the payment card issuer who then sends a response to the payment card host and the payment card host notifies the merchant that the transaction is completed. These further steps are *purposely* included as they serve as a further measure against payment card fraud. Kuo explicitly teaches to include these steps. The present patent application does not incorporate these steps. The present patent application teaches protocols with credit cards without a complex protocol overlay of further procedures incorporating additional steps that require the payment card issuer and banks to change their current software programs.

Therefore, Kuo fundamentally *teaches away* from the presently claimed methods in several aspects such that a person of ordinary skill in the art would not arrive at the present claimed invention from the disclosure in Kuo.

Furthermore, Applicants contend that there is no supportable case of *prima facie* obviousness in view of the asserted references either alone or in combination that would lead or motivate a person of ordinary skill in the art to Applicants' claimed invention. Davis does not disclose, and rather teaches against use of credit cards and transactions involving banks, while Kuo teaches a complicated interaction with banks and payment card issuers to avoid payment card fraud (as summarized above, under the *first*, *second* and *third* points). The presently claimed invention discloses a novel on-line transaction method involving banks based on a fundamentally different approach to security and card fraud, while simultaneously avoiding the problems and complications of the prior art.

In summary, the cited art, alone or in combination, fails to teach required elements of the instantly pending claims, and additionally *teaches away* from the instantly pending claims on several points as discussed in detail herein. Further, nothing in either cited reference provides for a suggestion or motivation for the skilled artisan to combine the cited references *and modify* the cited references in order to arrive at the instantly pending claims. Applicants submit that the skilled artisan would not render the instantly pending claims obvious in light of the teachings of the cited art.

Accordingly, Applicants respectfully submit that the basis for this rejection has been overcome and respectfully request that the rejection be withdrawn. The claims are all believed to be allowable. The Examiner is encouraged to phone Applicants' attorney, Barry L. Davison, to resolve any outstanding issues and expedite allowance of this application.

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